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PROPOSED ATTORNEYS FOR MAJESTIC
LIQUOR STORES, INC., MAJESTIC TEXAS-
GRAPEVINE, L.P. AND MAJESTIC GP II, LLC,
DEBTORS AND DEBTORS IN POSSESSION

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION**

In re:)	Chapter 11 Case
)	
MAJESTIC LIQUOR STORES, INC., <i>et al.</i> , ¹)	Case No. 10-43849-rfn11
)	
Debtors.)	Jointly Administered
)	
)	Expedited Hearing Requested

**MOTION OF MAJESTIC LIQUOR STORES, INC. FOR ORDER AUTHORIZING CERTAIN
STORE CLOSING SALES OF EXISTING INVENTORY, *NUNC PRO TUNC* TO THE PETITION
DATE**

TO THE HONORABLE RUSSELL F. NELMS, UNITED STATES BANKRUPTCY JUDGE:

Majestic Liquor Stores, Inc. ("Majestic"), as debtor in possession, files this Motion for Order Authorizing Certain Store Closing Sales of Existing Inventory, *Nunc Pro Tunc* to the Petition Date (the "Motion"). In support of this Motion, Majestic respectfully states as follows:

I. JURISDICTION AND VENUE

1. This Court has jurisdiction to consider this Motion pursuant to 28 U.S.C. sections 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. section 157(b). Venue is proper before this Court pursuant to 28 U.S.C. sections 1408 and 1409.

¹ The Debtors include Majestic Liquor Stores, Inc., Majestic Texas Properties, L.P., Majestic Texas-Grapevine, L.P., Majestic GP, LLC and Majestic GP II, LLC.

II. BACKGROUND

2. On June 6, 2010 (the "Petition Date"), each of the Debtors commenced with this Court a voluntary case under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). Pursuant to sections 1107(a) and 1108 of the Bankruptcy Code, the Debtors continue to operate their businesses and manage their property as debtors in possession.

3. Pursuant to an Order entered on June 10, 2010, the Debtors' cases are being jointly administered.

4. An Official Unsecured Creditors' Committee has been appointed in this case by the United States Trustee. No trustee or examiner has been requested or appointed in these chapter 11 cases.

A. Debtors' Business

5. Majestic is a Texas corporation, incorporated in 1955, that operates Texas retail stores for the sale of liquor, beer, wine and bar supplies. In May of 2004, John Bratton ("Bratton") and Kyle Fair ("Fair") acquired ownership of Majestic. At the time of the acquisition, Majestic operated fourteen (14) retail stores and one (1) wholesale operation. Through a series of acquisitions, Majestic grew to forty-five (45) retail locations and one (1) wholesale location. As of September 30, 2009, the stores were located in the following areas:

<u>Area</u>	<u>No. of Stores</u>
Dallas-Fort Worth	16
Hudson Oaks	1
Azle	1
Highland Village	1
East Texas	9
Austin	1
Roundrock	1
Lubbock	10
Granbury	1
Weatherford	2
Plainview	2

6. Currently, Majestic employs approximately 400 people, including 340 full-time employees and 60 part-time employees.

7. As of June 1, 2010, the Texas retail stores were located as follows: Dallas-Fort Worth stores (22); Lubbock County stores (9); Henderson County stores (3); Upshur County stores (2); Cherokee County stores (3); Austin stores (2); Kilgore stores (2); Plainview stores (2); and Granbury store (1).

8. For the year ended September 30, 2009, Majestic's audited financial statements reflected gross sales of \$151,691,433. As of January 31, 2010, Majestic's unaudited financial statements reflected gross sales for the four months prior of \$43,847,288.26.

9. Majestic Texas Properties, L.P. ("Majestic Properties") is a Texas limited partnership that owns real property leased to Majestic in Lubbock, Texas. Bratton and Fair are each limited partners of Majestic Properties. Majestic GP, LLC is the general partner in Majestic Properties.

10. Majestic Texas-Grapevine, L.P. ("Majestic Grapevine") is a Texas limited partnership that owns real property leased to Majestic in Cuneo, Texas. Bratton and Fair each are limited partners of Majestic Grapevine. Majestic GP II, LLC is the general partner in Majestic Grapevine.

B. Events Leading to Bankruptcy

11. In May of 2009, voters in Lubbock County approved two ballot propositions expanding packaged alcohol sales in the county. Prior to this local option election, alcohol sales were limited to a small section of the southeast part of Lubbock County on U.S. Highway 87 universally known as "The Strip." Majestic operated five (5) retail stores and a warehouse on The Strip.

12. Following the expansion of alcohol sales in Lubbock County, Majestic's sales dramatically decreased at its locations on The Strip. This decrease in overall sales in Lubbock County caused Majestic to close its retail operations on The Strip in the last year. Additionally, the downturn in the economy since 2008 coupled with the overall decline in consumer spending has affected Majestic's sales and made certain other locations unprofitable.

C. Store Closing Inventory Sales

13. On June 10, 2010, Majestic filed its *Amended Motion of Majestic Liquor Stores, Inc. Pursuant to Section 365(a) of the Bankruptcy Code and Bankruptcy Rules 6006 and 9014 for an Order Authorizing the Debtors to Reject Certain Unexpired Leases of Nonresidential Real Property* (the "Lease Rejection Motion") [docket no. 50]. In the Lease Rejection Motion, Majestic requested authorization to reject ten (10) unexpired leases (the "Rejected Leases") of nonresidential real property. Each of the Rejected Leases relates to property at which Majestic has operated, or does operate, a retail store. Certain of the Rejected Leases relate to retail stores at which Majestic had ceased all retail operations prior to the Petition Date. The remaining Rejected Leases relate to stores at which Majestic ceased retail operations postpetition, or will have ceased all retail operations by July 31, 2010.

14. The Court conducted an expedited hearing on the Lease Rejection Motion on June 16, 2010 and granted the same. The relief granted by the Court includes making the rejection of six of the Rejected Leases (five in Lubbock, Texas and one in Austin, Texas) effective as of the Petition Date. The rejection of the remaining Rejected Leases is made effective as of July 31, 2010.

15. When Majestic decides to cease operations at a retail location, the manner in which existing inventory is disposed of depends on whether or not Majestic maintains a warehouse and other retail locations within the same county. If Majestic does maintain a warehouse and other retail locations in the same county, Majestic typically returns inventory that is still in cases to its warehouse and/or redistributes such inventory to the other operating location(s) within the county. Inventory that is already on the shelves at the location to be closed is sold to the public – at a price approximately equal to Majestic's cost – prior to the final closing of the store (a "Store Closing Sale").

16. When Majestic decides to cease operations at a location in a county in which Majestic does not maintain a warehouse or other stores, a larger amount of the existing

inventory is sold to the public in a Store Closing Sale. Rules of the Texas Alcoholic Beverage Commission (the "TABC") prohibit the transport of inventory across county lines, absent Majestic obtaining a one-time waiver with respect to such rules. Therefore, in such instances, Majestic will sell as much of its existing store inventory as possible to the public in a Store Closing Sale, including both inventory already on the shelves and inventory still in cases. Such inventory is also sold to the public at, or approximately at, Majestic's cost.² When Majestic has sold as much of its inventory as practicable, Majestic will then seek TABC approval for the one-time waiver to transport the remaining inventory from the closing location to a warehouse or other store maintained by Majestic in a different county. This process minimizes the expense and operational difficulties associated with such store closings, as Majestic does not maintain a large warehouse staff or large fleets of trucks that would be required to handle transport across county lines of significant volumes of inventory.

17. With respect to each of the retail stores associated with the Rejected Leases, Majestic has either (i) previously completed a Store Closing Sale, (ii) is currently conducting a Store Closing Sale, or (iii) will conduct a Store Closing Sale. All such Store Closing Sales will be completed prior to July 31, 2010.

III. RELIEF REQUESTED AND BASIS THEREFOR

18. By this Motion, Majestic seeks an order authorizing Majestic, *nunc pro tunc* to the Petition Date, to conduct the Store Closing Sales at each of the retail store locations associated with the Rejected Leases.

19. Inherent in the closing of any of Majestic's stores is the need to sell existing inventory at the location – particularly on-shelf inventory – in order to minimize the expenses

² In the latter stages of a Store Closing Sale, Majestic may sell some remaining inventory at prices below its cost. The amount of inventory sold at prices below cost is small, and the decision to sell any inventory below cost is based on a cost-benefit analysis taking into account the need to minimize overhead expenses and the time and effort that would be required to transport remaining inventory to a warehouse or other retail location. Majestic is able to replace inventory at cost, so the inventory that may be sold at prices below cost in a Store Closing Sale is immaterial and such below-cost sales do not negatively impact Majestic's overall operations or going concern value.

associated with closing the location and transporting and redistributing such inventory. Store Closing Sales allow Majestic to efficiently and effectively shut down retail operations at a location and minimize the expenses associated therewith. Therefore, Majestic asserts that Store Closing Sales are conducted in the ordinary course of its business and that Court approval is not required for Majestic to conduct Store Closing Sales with respect to the Rejected Leases. However, the United States Trustee has requested that Majestic seek approval from the Court, *nunc pro tunc* to the Petition Date, to conduct Store Closing Sales at any of the locations associated with the Rejected Leases. Majestic has therefore filed this Motion as an accommodation to the United States Trustee, who does not oppose the relief requested herein.

PRAYER

WHEREFORE, Majestic respectfully requests entry of an order granting (i) the relief requested herein and (ii) such other and further relief as is just and proper.

Dated: June 23, 2010

Respectfully submitted,

/s/ J. Robert Forshey

J. Robert Forshey

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PROPOSED ATTORNEYS FOR MAJESTIC
LIQUOR STORES, INC., MAJESTIC TEXAS-
GRAPEVINE, L.P., AND MAJESTIC GP II, LLC,
DEBTORS AND DEBTORS IN POSSESSION

CERTIFICATE OF CONFERENCE

I hereby certify that, prior to the filing of this Motion, I conferred with Lisa Lambert, trial attorney for the United States Trustee, and the United States Trustee is not opposed to the relief requested in this Motion.

/s/ J. Robert Forshey

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was served upon the parties listed on the attached service list via United States Mail, first class postage prepaid, or via ECF electronic Notice, if available, on June 23, 2010.

/s/ J. Robert Forshey

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**Majestic Liquor Stores
Service List**

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Glazers Wholesale
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Greenspring Media Group
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Mexcor, Inc.
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Grand Prairie, TX 75050

Prestige Wine Cellars
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Ranger Beverage
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Reddy Ice
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